

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 1247 – HB 1134

April 2, 2014

SUMMARY OF ORIGINAL BILL: Exempts National Basketball Association (NBA) players and National Hockey League (NHL) players from paying occupational privilege tax.

CORRECTED FISCAL IMPACT OF ORIGINAL BILL:

Decrease Local Revenue – \$2,160,000/FY13-14
\$3,600,000/FY14-15 and Subsequent Years

SUMMARY OF AMENDMENTS (013035, 015754): Amendment 013035 deletes all language after the enacting clause. Effective upon becoming a law, exempts National Hockey League (NHL) players from paying occupational privilege tax and establishes that the tax on National Basketball Association (NBA) players is imposed on those players employed for more than 15 days, rather than 10 days, in the tax period. Effective June 1, 2016, exempts NBA players from paying the tax.

Amendment 015754 requires any privilege taxes that are due or owing by persons employed as players on any franchise of the NBA prior to June 1, 2016, to be collected and distributed pursuant to the law in effect on May 30, 2016.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

Decrease Local Revenue – \$1,144,800/FY13-14
\$1,910,500/Each Year FY14-15 and FY15-16
\$3,600,000/FY16-17 and Subsequent Years

Assumptions for the bill as amended:

- Pursuant to Tenn. Code Ann. § 67-4-1702(a)(7) and Tenn. Code Ann. § 67-4-1703(d), NBA and NHL players are subject to a \$2,500 tax per game played in Tennessee, with a three game annual cap, due and payable on June 1 of each year.
- Pursuant to Tenn. Code Ann. § 67-4-1703(e), all taxes collected from NBA or NHL players are deposited into a municipal government fund located in the municipality where the game is played.

SB 1247 – HB 1134

- According to the Department of Revenue, occupational privilege tax collections from NBA and NHL players were \$3,600,000 in FY12-13, of which 53 percent, or \$1,908,000, was from NHL players and the remaining 47 percent, or \$1,692,000, was from NBA players. These numbers are assumed to remain constant into perpetuity under current law.
- Exempting NHL players from the tax will result in a recurring decrease in local government revenue of \$1,908,000.
- Based on historical occupational privilege tax collections, it is estimated that 40 percent of NHL occupational privilege tax returns will be filed prior to the effective date of the bill (effective upon becoming a law). The remaining 60 percent of returns will not be filed as a result of the effective date of the bill. The resulting one-time decrease in local government revenue in FY13-14 is estimated to be \$1,144,800 ($\$1,908,000 \times 60.0\%$).
- As part of the collective bargaining agreement, starting January 5 of each season, or the first business day following that date, NBA teams have the option to sign free agents for a period of either 10 days or 3 games, whichever is longer. Each team can sign a player to two 10-day contracts in a season and, to retain a player, a team must issue a contract for the remainder of the season.
- Based on the Fiscal Review Committee staff analysis of contract data provided by www.hoopsrumors.com, it is estimated that as of March 14, 2014, 5 players, who at the time were under a 10-day contract, played 6 games in Tennessee in the current 2013-2014 NBA season. However, four out of those five players signed additional 10-day contracts in the tax year, making them subject to the tax.
- Therefore, it is estimated that one NBA player would be exempt annually from the tax imposed on one game played in Tennessee, resulting in a recurring decrease in local government revenue of \$2,500, beginning with FY14-15. The total annual decrease in local government revenue in FY14-15 and FY15-16 is estimated to be \$1,910,500 ($\$1,908,000 + \$2,500$).
- Effective June 1, 2016, all NBA players, in addition to all NHL players will be exempt from the tax. The total recurring decrease in local revenue, beginning with FY16-17, is estimated to be \$3,600,000.
- Any additional expenditures by NBA and NHL players on sales-taxable goods and services as a result of tax savings realized by this bill as amended are estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

/bos